Alpha Strategies Team

Emerging Markets Debt Blended Total Return

PERFORMANCE AS OF 08/2026	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION[2]
Composite (gross)	1.05%	1.55%	5.62%	10.26%	10.60%	2.18%	3.96%	3.70%
Composite (net)	1.00%	1.39%	5.17%	9.55%	9.89%	1.57%	3.38%	3.14%
Blended Index[1]	0.80%	0.71%	2.63%	6.79%	8.54%	2.37%	2.91%	3.52%
Excess return (gross)	0.25%	0.84%	2.99%	3.47%	2.06%	-0.19%	1.06%	0.19%
Excess return (net)	0.20%	0.68%	2.54%	2.76%	1.35%	-0.80%	0.48%	-0.38%

Data Source: Loomis Sayles, as of 08/31/2026. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations.
[1] The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
[2] The Emerging Markets Debt Blended Total Return Composite Inception Date is 03/01/2017.
Past performance is no guarantee of future results

EM Credit & FX Regime Identification

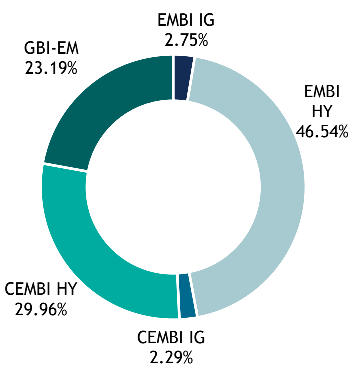
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically be captured within the first six months of a signal switching, which is why we include the date at which the respective signal last changed. The additional information relates to what is driving the current regimes (value and momentum signals) and the directional trend.

SIGNAL	REGIME[2]	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT[1]	RISK-ON	+	03/20/26	DETERIORATING	-	07/24/26	IMPROVING
EM FX	RISK-ON	+	08/14/26	DETERIORATING	+	07/31/26	DETERIORATING

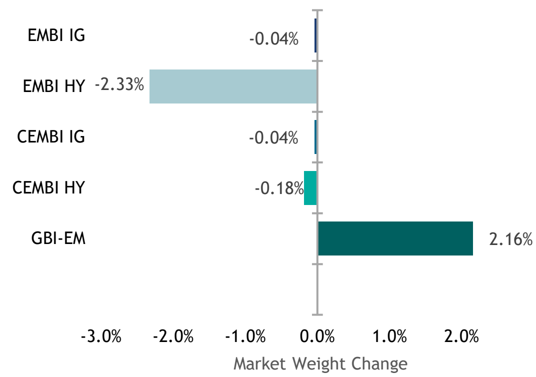
Data Source: Loomis Sayles, as of 08/31/2026
[1] EM Credit (sovereign and corporate) [2] Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-). The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

Asset Class Exposure

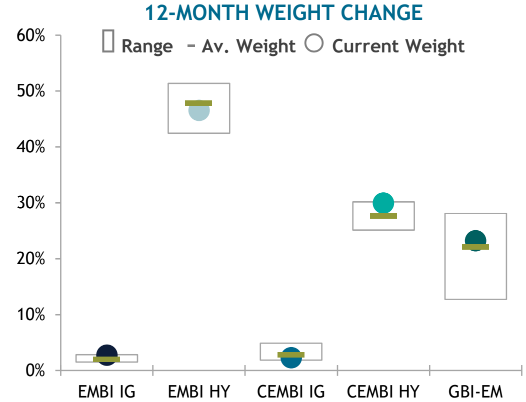
CURRENT WEIGHTS



1-MONTH MARKET WEIGHT CHANGE



12-MONTH WEIGHT CHANGE



■ Hard Currency Sov. IG (JPM EMBI IG) ■ Hard Currency Sov. HY (JPM EMBI HY) ■ Hard Currency Corp. IG (JPM CEMBI IG) ■ Hard Currency Corp. HY (JPM CEMBI HY) ■ Local Currency Sov. (JPM GBI-EM)

Data Source: Loomis Sayles, as of 08/31/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The charts presented above are shown for illustrative purposes only.
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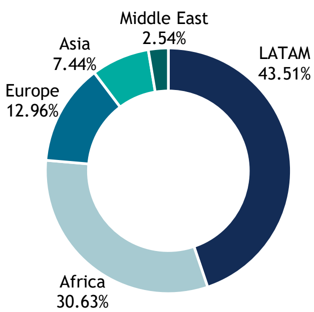
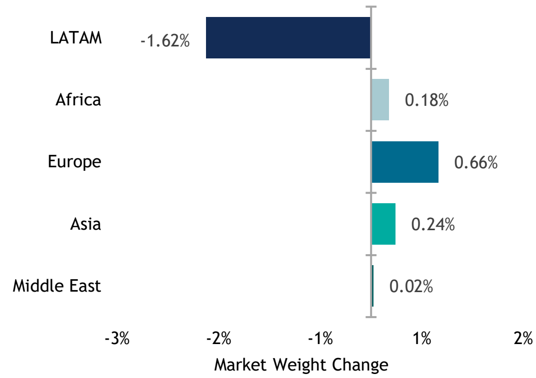
Regional Exposures

■ Latin America (LATAM) ■ Africa ■ Europe ■ Asia ■ United States

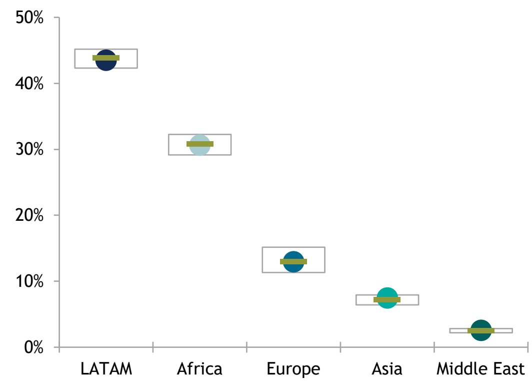
TOP 5 REGION OF RISK (MARKET WEIGHT%)



1-MONTH MARKET WEIGHT CHANGE



12-MONTH PORTFOLIO WEIGHT RANGE



Data Source: Loomis Sayles, as of 08/31/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%. The charts presented above are shown for illustrative purposes only.

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Commentary

AUGUST POSITIONING

- We entered August with a beta of approximately 1.3, maintaining the early July rebalance and a full risk-on stance across emerging market (EM) credit and foreign exchange (FX). Positioning was anchored to three pillars: reform stories, carry, and local currency convexity, with frontier sovereigns serving as our primary alpha engine.
- Frontier hard currency sovereigns remained our highest-conviction allocation, supported by improving credit repair dynamics, idiosyncratic catalysts, and elevated carry.
- The strategy was skewed toward high-yield sovereign and corporate credit, reflecting our view that EM carry remained underpriced relative to developed market (DM) fixed income alternatives.
- Local currency sovereigns continued to offer attractive real yields and FX optionality, particularly as the US dollar appeared increasingly vulnerable to an unwind of crowded long positioning.
- Energy markets were expected to stabilize, with July's geopolitical concerns moderating and average monthly Brent crude prices trending lower. This was expected to support EM inflation dynamics and reduce tail risks for local duration.
- Country selection remained central to our positioning, with an emphasis on reform stories in Argentina, Turkey, Egypt, Nigeria, and Ivory Coast, as well as improving external balances, notably in Venezuela, where positive oil developments supported credit momentum.
- Technical conditions were increasingly supportive, with strong institutional demand for EM carry and oversubscribed issuance providing a buffer against geopolitical volatility.
- Macro expectations centered on a Federal Reserve (Fed) hold and a stable-to-weaker US dollar environment, creating a favorable backdrop for EM FX, local rates, and high-yield sovereigns heading into September's Federal Open Market Committee (FOMC) meeting.

HOW DID AUGUST UNFOLD

- August was a constructive but headline-driven month, with EM debt absorbing multiple geopolitical shocks while benefiting from a supportive rates and FX backdrop. Across the J.P. Morgan Emerging Markets Bond Index (EMBI), Corporate Emerging Markets Bond Index (CEMBI), and Government Bond Index-Emerging Markets (GBI-EM), week-to-date (WTD) and month-to-date (MTD) returns remained positive, underscoring the resilience of the asset class.
- We increased beta to approximately 1.5 as market conditions improved and the US dollar weakened further.
- US dollar weakness was our dominant macro driver, supported by softer US labor market data, moderating core inflation, and coordinated US-Japan actions aimed at stabilizing the yen. These developments supported EM FX carry and local sovereign returns throughout the month.

Source: Loomis, Sayles & Co; Bloomberg

^ The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. Credit Quality reflects the highest credit rating assigned to individual holdings of the Composite among Moody's S&P or Fitch; ratings are subject to change.

Views and opinions expressed reflect the current opinions of the Emerging Markets Debt Blended Total Return Team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

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Commentary (cont'd)

HOW DID AUGUST UNFOLD (CONT'D)

- US rates repriced lower ahead of Jackson Hole, aided by Treasury Secretary Scott Bessent's expanded buyback program and reduced expectations for additional Fed tightening. Falling real yields provided a tailwind for EM duration and local markets.
- Oil volatility created meaningful dispersion. Importers such as Egypt, Sri Lanka, and Pakistan outperformed early in the month, while exporters including Venezuela, Nigeria, and Angola underperformed. Venezuela subsequently benefited from improving production and export flows.
- Geopolitical risk remained elevated, particularly around the Strait of Hormuz, but markets increasingly looked through headlines as diplomatic progress emerged later in the month.
- High-yield hard currency and local currency sovereigns led global fixed income performance during the month, supported by elevated real yields, weak US dollar momentum, and improving foreign flow dynamics.
- Investment-grade sovereigns traded broadly stable, with spreads tightening despite geopolitical uncertainty and evolving Fed expectations.
- Corporate credit remained resilient, benefiting from shorter duration profiles, strong balance sheets, and well-absorbed issuance.
- Technical conditions strengthened, with EM bond inflows surpassing full-year 2025 levels by late August. This reinforced the risk-on environment and supported high-yield and frontier allocations.

SEPTEMBER EXPECTED POSITIONING[1]

- Federal Reserve Chair Kevin Warsh's keynote speech at the Jackson Hole Economic Policy Symposium argued for a Fed on hold, continued disinflation, and a weaker US dollar, a highly supportive regime for EM carry and local markets.
- The initial market reaction was hawkish due to the removal of forward guidance while balance sheet tightening remains in the pipeline. However, the portfolio management team maintains portfolio beta of approximately 1.5 and a full risk-on stance across EM credit and FX, given supportive market conditions and strong technical factors. Portfolio yield is approximately 9.5%.
- Frontier hard currency sovereigns remain the primary alpha engine, with Venezuela leading performance. More broadly, improving credit repair stories continue to be rewarded by investors. For example, the International Monetary Fund (IMF) reached a staff-level agreement with Senegal on a $2.2bn program, lifting bonds by approximately five points. Pakistan returned to international capital markets with new issuance yielding approximately 8% and receiving firm demand. Venezuela remains a high-conviction overweight given improving oil production and export flows.
- Local currency sovereigns continue to offer attractive real yields and FX carry, particularly in what we believe is an emerging de-dollarization cycle as inflation cools and the Fed remains on hold.
- We favor reform stories in Latin America and Africa, where policy credibility and improving external balances offer insulation against geopolitical volatility.
- We remain underweight broad Asia exposure given its higher sensitivity to US dollar strength and oil importer dynamics, while maintaining selective local currency positions in the Korean won (KRW), Indonesian rupiah (IDR), Thai baht (THB), and Malaysian ringgit (MYR), as well as selected hard currency technology-sector corporates.
- Following the phase-out of forward guidance, the portfolio management team is closely monitoring US inflation data and Fed communication. We anticipate August Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) data to show sufficient disinflation to keep the Fed on hold through year-end, reducing tail risks for EM duration and FX.
- We are also monitoring industrial metals and artificial intelligence (AI)-linked capital expenditure trends, which we believe are key drivers of global growth and EM export performance heading into the fourth quarter.
- Our key return drivers for the month ahead include the Swiss franc, long-duration US Treasury Inflation-Protected Securities (TIPS), the US Dollar Index (DXY), EM FX volatility, and euro-denominated investment-grade corporates.

[1] As of 09/04/2026
Source: Loomis, Sayles & Co; Bloomberg

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